



News Release

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For Release

Roberta L. Gross
Inspector General
(Phone: 202-358-1220)

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Samuel A. Maxey
Assistant Inspector General for Investigations
(Phone: 202-358-1233)

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Contractor Settles Whistleblower Lawsuit for \$38,000,000

On March 1, 2000, Jacobs Engineering Group (Jacobs), Inc., a NASA contractor located in Pasadena, California, and the Department of Justice settled a whistleblower lawsuit. The lawsuit alleges that Jacobs overcharged the NASA and the Departments of the Air Force, Army, and Navy, the Environmental Protection Agency, and the Department of Energy. According to the complaint, Jacobs entered fiscal year 1983 with negative working capital and needed cash in order to maintain its financial stability. Jacobs sold its corporate headquarters building in Pasadena, California, and entered into a 15-year lease of the property that included rates substantially higher than what the firm paid to own the property.

Jacobs is accused of improperly passing along the higher rental costs to the government in the form of unallowable sale-leaseback charges on its contracts. Jacobs has denied any wrongdoing in the method it used to account for the sale-leaseback costs, but has agreed to settle the lawsuit for \$38,000,000, and in order to avoid the cost and risk of further litigation. The settlement amount also includes a reported \$3,000,000 pre-tax charge for litigation costs in settling the *qui tam* lawsuit.

Jacobs is one of the largest global engineering, architecture, technology and construction firms. The firm provides technical assistance and program management support at various NASA facilities. A former employee originally filed the lawsuit under the *qui tam* provisions of the False Claims Act in July 1997.

This investigation was conducted by Special Agents of the NASA Office of Inspector General, Office of Criminal Investigations, Air Force Office of Special Investigations, Naval Criminal Investigative Service, Army Criminal Investigation Division Command, Environmental Protection Agency, and the Department of Energy. The civil settlement was handled by Assistant United States Attorney Donna C. Maizel, Civil Frauds Section, Central District of California, Los Angeles. The Defense Contract Audit Agency provided audit support.

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